

# EXPLORING TRADE COOPERATION BETWEEN THE PACIFIC ALLIANCE AND SOUTH KOREA

대한민국과 태평양 동맹 국가들간의 경제협력

## RESEARCH REPORT

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# TABLE OF CONTENTS

|   |    |
|---|----|
| I. EXECUTIVE SUMMARY                      | 06 |
| II. INTRODUCTION                          | 09 |
| III. CHILE - REPUBLIC OF KOREA RELATIONS  | 11 |
| IV. PERU - REPUBLIC OF KOREA RELATIONS    | 19 |
| V. COLOMBIA - REPUBLIC OF KOREA RELATIONS | 29 |
| VI. MEXICO - REPUBLIC OF KOREA RELATIONS  | 38 |
| VII. CONCLUSIONS                          | 46 |



# LIST OF ABBREVIATIONS

|                 |   |
|-----------------|---|
| <b>BIT</b>      | Bilateral Investment Treaty   |
| <b>APEC</b>     | Asia-Pacific Economic Cooperation                                     |
| <b>C&amp;T</b>  | Construction & Trading Corporation                                    |
| <b>CONFIEP</b>  | The Peruvian National Confederation of Private Business Institutions  |
| <b>COVID-19</b> | Coronavirus Disease 2019  |
| <b>CPTPP</b>    | Comprehensive and Progressive Agreement for Trans-Pacific Partnership |
| <b>ECLAC</b>    | Economic Commission for Latin America and the Caribbean               |
| <b>EFTA</b>     | European Free Trade Association                                       |
| <b>EU</b>       | European Union  |
| <b>FDI</b>      | Foreign direct investment   |
| <b>GDP</b>      | Gross domestic product  |
| <b>GFC</b>      | Global Financial Crisis   |
| <b>ICT</b>      | Information and communication technology                              |
| <b>IDEXCAM</b>  | Peruvian Institute for Research and Development of Foreign Trade      |
| <b>KEPCO</b>    | Korea Electric Power Corporation                                      |
| <b>KORES</b>    | Korea Resources Corporation   |
| <b>KORUS</b>    | United States-Korea Free Trade Agreement                              |
| <b>KOTRA</b>    | Korea Trade-Investment Promotion Agency                               |
| <b>MOU</b>      | Memorandum of Understanding   |
| <b>NAFTA</b>    | North American Free Trade Agreement                                   |
| <b>OECD</b>     | Organisation for Economic Co-operation and Development                |
| <b>PA</b>       | Pacific Alliance  |
| <b>POSCO</b>    | Pohang Iron and Steel Co  |
| <b>ROK</b>      | Republic of Korea   |
| <b>SITP</b>     | Integrated Public Transportation System                               |
| <b>SMEs</b>     | Small and Medium Enterprises  |
| <b>SQM</b>      | Sociedad Química y Minera de Chile                                    |
| <b>TLC</b>      | Free Trade Agreement  |
| <b>TPP</b>      | Trans-Pacific Partnership   |
| <b>TPSEP</b>    | Trans-Pacific Strategic Economic Partnership Agreement                |
| <b>UN</b>       | United Nations  |
| <b>USA</b>      | United States of America  |
| <b>USMCA</b>    | US-Mexico-Canada Agreement  |
| <b>ZOMAC</b>    | Most severely affected by the armed conflict                          |

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## **EXECUTIVE SUMMARY**

What are the perspectives of key public and private sector stakeholders regarding the Free Trade Agreements (FTAs) that the Republic of Korea (ROK) has negotiated and established in recent years with Pacific Alliance (PA) member states? This is the question that led our research project because this relationship remains unexplored despite having gained attention in recent years. Particularly due to the development of closer ties between the ROK and the Pacific Alliance since 1999. The ROK participates as an observer of the PA, and both parties are negotiating the ROK's possibilities of joining the bloc as an associate member. This new status would facilitate the ROK's strengthening relations with Mexico and the other members. Consequently, improving the ROK- PA relations will, to a large extent, be contingent on the perspectives and views of both parties to maximise the benefits of already existing links. This situation highlights the necessity of gaining a better and more in-depth understanding of the views and perspectives of key public and private sector actors, regarding the challenges and opportunities of trade, investment, and cooperation initiatives. Therefore, the Report addresses this gap by conducting original and rigorous research and analysis. It explores the characteristics and evolution of trade, investment, and cooperation initiatives carried out 1) bilaterally between the ROK and PA members Chile, Colombia, Mexico, and Peru. 2) Multilaterally between the ROK and the PA as a bloc.

The report findings suggest that, among PA members, the public and private sectors' overall perceptions of their relationship with the ROK are positive at the bilateral level. Official PA representatives show interest in the ROK's economic development and export-oriented culture. This element is valuable to develop future trade-related cooperation initiatives. In terms of the FTAs, public officials remain optimistic regarding future developments. Among private sector actors, the perception is positive. However, the report found a perceived limited understanding of the Korean market among PA business sectors. In many cases, this had led to growing concerns regarding the implementation of FTAs. Therefore, different views emerged when considering specific countries and sectors. These concerns lay mostly on the trade balances and the private sector perceived ability to benefit from the FTAs. Consequently, each PA member case needs to be considered both independently and as part of the PA bloc.

At the multilateral level, the report found that PA public and private sector actors exhibit significant expectations regarding the possibility of the ROK joining as an associate member. The same is true for the ROK, which will insist on its extended membership. It constitutes a strategic foreign policy move, towards south, central, and north America. That way, the ROK could benefit from a significant network of existing trade

agreements and the PA members' proximity to the USA market. It would facilitate establishing an expanded list of origin to benefit from origin cumulation, as well as regulations to promote global supply and global value chains. Advancing this process requires two conditions to be met. 1) Concluding ongoing negotiations between the PA and Australia, Canada, New Zealand, and Singapore. 2) Subscribing an FTA between the ROK and Mexico, which can be challenging. Not only is it necessary for the ROK to become an associate to the PA, but it is also a way to address the concerns of different stakeholders regarding future trade relations.

In general, PA members states public and private sector actors exhibit significant interest and expectations for more cooperation with the ROK. However, some questions and concerns need to be addressed and explored beyond traditional approaches. The report proposes recommendations to address these issues across four areas: multilateral level, trade, investment, and cooperation.

## RECOMMENDATIONS

### **Multilateral level**

- Continue the negotiations for the ROK to become an associate member of the PA.
- Promote and support common positions in multilateral scenarios. Both the ROK and the PA members share interests in promoting effective and democratic global governance and creating ambitious regional integration projects.
- Advance trade, investment, and cooperation activities within the PA.

### **Trade**

- Update ROK-PA FTA and BITs when necessary. Particularly, to integrate digital economy elements, including e-commerce, 5G, investment provisions, and sustainable development opportunities.
- Explore cooperation initiatives in PA members public procurement, particularly in infrastructure, electronic government, and e-business (considering existing FTA provisions).

- Coordinate actions between the public and private sectors to promote ROK-AP trade and investment. Thus, provide resources to specialised agencies such as KOIKA and KOTRA to developed initiatives with ProChile, ProColombia, and PromPeru.

### **Investment**

- Explore and support investment opportunities for the ROK's companies considering tax incentives, nearshoring strategies implemented by other PA members, and opportunities in non-traditional sectors such as cultural and media, information and telecommunication technologies, clean energy, and sustainable businesses.
- Encourage investment from the PA to the ROK through promotion strategies. We suggest encouraging SMEs entrepreneurs seeking opportunities on both sides of the Pacific. Thus, governments and specialised agencies should promote and facilitate such activities.

### **Cooperation**

- Enhance scientific and technological cooperation between the ROK and PA members, particularly with Mexico and Colombia. There are opportunities for Korean companies to conduct Research & Development activities with local research institutes, universities, and technology centres, facilitating technology transfer processes. It would be highly regarded by PA member states business sectors, thus mitigating trade concerns.
- Advance trade-related development and trade facilitation activities in PA members. Key issues include 1) developing training opportunities to foster a better understanding of non-tariff barriers, Korean consumers' patterns and preference (packing and traceability), and business culture in Korea and PA members. 2) Financing transportation and logistics to reduce the time and cost of trading between the ROK and the PA.
- Promote cultural and educational exchanges and learning experiences constitutes a valuable diplomatic tool to achieve a better understanding between the two regions. There are significant opportunities for the ROK to promote cultural and media products, considering the growing popularity of K-pop and K-drama among PA member countries.
- Further explore policy-oriented research focusing on diverse forms of cooperation and the evolution of trade and investment from a private sector's perspective. Despite their importance, they remain understudied.

# INTRODUCTION

## Exploring Trade Cooperation between the Pacific Alliance and South Korea

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This report explores the perspectives of key public and private sector stakeholders regarding the outcomes and evolution of the Free Trade Agreements (FTAs) that the Republic of Korea (hereafter the ROK) has negotiated and established in recent years with Pacific Alliance (PA) member states. The bloc was established in 2011 by Chile, Colombia, Mexico, and Peru, all located on the Pacific Rim. It is intended to create an area of deep integration and promote the development and competitiveness of its members by progressively seeking the free movement of goods, services, capital, and people. They have advanced strategies to harmonise institutional frameworks, policies, and procedures. However, its main objective is to serve as a platform for economic and trade integration towards the Asia-Pacific region, where the four countries share significant economic interests.

Our focus on the Pacific Alliance challenges the far-from-accurate idea of Latin America as a group of homogenous countries. Thus, understanding the characteristics of the PA provides valuable policy recommendations for the ROK's involvement in the region. Notably, one of South Korea's foreign policy priorities is to strengthen diplomatic relations to increase trade and economic ties with other countries. In this sense, both the ROK and the PA have demonstrated their interest and commitment to forging deeper trade, investment, and cooperation ties beyond traditional partners like the United States and Europe. However, improving ROK-PA relations as geopolitical neighbours and allies will, to a great extent, be contingent on the perspectives and views they have of each other, as well as the possibilities they see to maximise the benefits of already existing links.

The relationship between the ROK and AP reigned with the establishment of Free Trade Agreements (FTAs). Notably, in 2003, Chile and the ROK concluded negotiating the first FTA between Latin American and Asian countries, which was also the first FTA signed by the ROK, constituting a milestone for inter-regional relations. Since then, the ROK has signed FTAs with Peru, which entered into force in 2011, and Colombia in 2016. These agreements eliminated tariffs on goods and investment. Despite the substantial differences in their content, scope, and depth, they have all incorporated provisions outside the realm of traditional trade policy, which are essential to understanding current

international trends, and their implications for implementation and collaboration. Such provisions include trade in services, investment protection, rules of origin, intellectual property rights, the promotion of trade, and government procurement.

*Table 1. ROK's FTAs negotiation process with PA member states*

| South Korea's FTAs         | Chile | Colombia | Peru | Mexico |
|----------------------------|-------|----------|------|--------|
| <b>Negotiation Started</b> | 1999  | 2009     | 2009 | 2006   |
| <b>Signed</b>              | 2003  | 2013     | 2010 | x      |
| <b>Entered into force</b>  | 2004  | 2016     | 2011 | x      |

*Source:* SICE (2020).

Even though the ROK has already developed close ties with the Pacific Alliance participating as an observer, both parties are negotiating its possibilities of joining the bloc as an associate member. This new status would allow the ROK to strengthen relations with Mexico, which is currently the missing link to complete FTAs with all PA member states. Mexico and South Korea initiated negotiations in 2008, but they could not reach an agreement due to the significant reluctance of some Mexican business sectors.

Even though diplomatic relations between the ROK and the PA member states have improved since the beginning of the 21<sup>st</sup> century, at the same time as inter-regional trade having increased, policy-oriented analysis and academic studies of these issues remain scarce. This project is therefore a pioneer as it addresses existing knowledge gaps. We conducted a comparative study that examines how the evolution and effects of trade and investment relations have influenced PA member states' views of key ROK public and private actors. Therefore, we analysed historical data on trade, investment, official development assistance, conducted online surveys, meetings and in-depth interviews. Furthermore, the report explores this phenomenon amid the effects of the COVID-19 pandemic in the world economy and the growing tensions between China and the United States, thus providing elements for further analysis and discussion. The future of the partnership between the ROK and the PA is of particular importance in an uncertain global context.

Each section of the report explores the characteristics and evolutions of diplomatic, trade, investment, and cooperation relations between the ROK and PA members. They also provide policy recommendations at the bilateral and multilateral levels to further strengthen the relationship.



# CHILE-REPUBLIC OF KOREA RELATIONS

칠레 - 대한민국 관계

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# CHILE-REPUBLIC OF KOREA RELATIONS

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## 1. INTRODUCTION

Chile and the Republic of Korea (ROK) have long-standing historical ties, including economic ones since the signing of their bilateral free trade agreement (FTA). Indeed, Chile was the first country in South America to establish diplomatic relations with the ROK in April 1962 (Embajada de Chile en Corea del Sur, 2021b) and, in 2003, it became the first country in the world to sign a bilateral FTA with the ROK (Embajada de Chile en Corea del Sur, 2021a). This was also the first-ever FTA between a Latin American and an Asian country. Chile has therefore been at the forefront of Latin American countries when it comes to strengthening relations with the ROK, as well as in developing links between its region and Asia.

Throughout the Cold War, relations between Chile and the ROK were cordial but distant. Both countries had a similar history. They were democracies that became anti-communist dictatorships closely aligned with the United States – the ROK in 1961 and Chile in 1973. During their period as dictatorships, there were two high level visits from the ROK to Chile but none the other way around (Ministry of Foreign Affairs of the ROK, 2021). Democracy was then restored in both countries almost at the same time – in 1987 in the ROK and, in 1990, in Chile. Once democracy was restored, which coincided with the end of the Cold War, diplomatic links and economic relations strengthened.

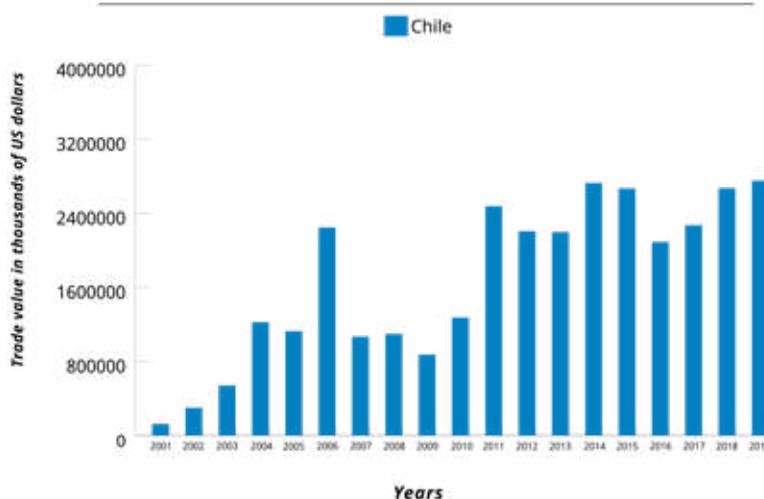
Throughout the 1990s, mutual high-level visits burgeoned. In November 1994, Eduardo Frei became the first Chilean president to visit the ROK (Ministry of Foreign Affairs of the ROK, 2021). The visit came only eight months after his inauguration, signalling Chile's readiness to bolster its diplomatic and commercial ties across the Pacific. In September 1996, president Kim Young-sam reciprocated and became the first ROK head of government to visit Chile (Ministry of Foreign Affairs of the ROK, 2021). Kim's visit came in the context of the ROK seeking out new economic and diplomatic partners beyond its traditional markets and allies. Over the years, since the restoration of democracy, all Chilean president —Eduardo Lagos (2003), Michelle Bachelet (2009), and Sebastian Piñera (2012)— but the first (Ministry of Foreign Affairs of the ROK, 2021)— travelled to the ROK, signalling the importance of the Asian country as an economic and diplomatic partner. The ROK, on the other hand, has demonstrated the relevance it affords its Latin American partner with visits by presidents Roh Moo-hyun, Lee Myung-bak, and Park Geun-hye (Ministry of Foreign Affairs of the ROK, 2021).

Over the years, Chile and the ROK have established a wide network of bilateral agreements to supplement their FTA, covering a range of aspects involving security, politics, and people-to-people links. Besides the FTA, four of their 14 agreements are particularly striking: an agreement for the peaceful use of nuclear energy (2002), an MOU between their respective aid agencies (2012), a working holiday visa agreement (2015), and an agreement on defence cooperation (2019) (Embajada de Chile en Corea del Sur, 2021a). In any case, their bilateral FTA and economic links continue to be the key aspect in Chile-ROK relations.

## 2. TRADE RELATIONS

The FTA between Chile and the ROK was hugely symbolic. Negotiations were formally launched in September 1999. Before then, Chile had signed FTAs with three partners in the Americas: Canada (1996), Mexico (1998), and Costa Rica (1999) as a steppingstone to the rest of Central America (Subsecretaria de Relaciones Economicas Internacionales del Gobierno de Chile, 2021). Chile then resolved to target FTAs with the biggest economies in the world, and launched negotiations with the EU and the United States (Subsecretaria de Relaciones Economicas Internacionales del Gobierno de Chile, 2021). Negotiations with the ROK were the first with an Asian country and with the two biggest economies in the world. FTA negotiations with the ROK constituted a test for future trade deals with similar countries across the world, while for the ROK, negotiations with Chile were its first FTA negotiations. Seoul saw a trade deal with Chile as the perfect training ground for its planned bilateral FTA strategy. Negotiations were gruelling, but Chile and the ROK signed their FTA in 2003. It entered into force the following year and, in 2018, Santiago and Seoul launched negotiations to upgrade their FTA (Asian Development Bank, 2021). This was a necessary move, considering the growing importance of non-tariff barriers to trade, synchronize regulations, e-commerce, and other areas excluded or barely covered in the existing FTA.

*Trade balance between the ROK and Chile, 2001-2019*



*Source:* UN Comtrade (2021).

The FTA had a profound impact on Chile-ROK trade links. For the former, the trade deal allowed Chilean export to grow four-fold between 2004 and 2014. In 2019, the ROK was the fourth largest destination for Chilean exports. Trailing only China, the United States, and Japan, the ROK absorbed 6.7% of Chilean exports (UN Comtrade, 2021). Chilean exports to the ROK by value are dominated by copper, chemical products (e.g., ammonium or chemical wood pulp), pork, and grapes (UN Comtrade, 2021). By the same token, Chile has consistently maintained a trade surplus vis-à-vis the ROK since the entry into force of their bilateral FTA (UN Comtrade, 2021), which, in 2019, stood at US\$3.3 billion (UN Comtrade, 2021). Chilean exports complement the ROK economy, and are either used in the manufacturing and production of goods (e.g., copper, chemical products or molybdenum) or consumed in the ROK (e.g., foodstuff).

In the other direction, the ROK has also benefited from the FTA but to a lesser extent. The ROK exports to Chile by value grew consistently from the entry into force of the FTA until the Global Financial Crisis (GFC) of 2008. Since the GFC, however, the ROK's exports have remained relatively flat (UN Comtrade, 2021). To a great extent, this is the result of the impact of the GFC and 2013-14 and 2019 economic crises on Chilean consumers. Since the FTA was signed, the ROK's exports to Chile have been dominated by vehicles (i.e., cars and delivery trucks), vehicle parts, and petrol products (UN Comtrade, 2021). As of 2019, KIA and Hyundai were the second and third largest passenger car brands in Chile by sales (Palomino, 2020). But the three economic crises that Chile has suffered since its FTA with the ROK entered into force have hit car sales hard (Bemandt, 2020). This has had a negative effect on the ROK's exports to Chile, to the extent that in 2019, the Asian country's share of the Latin American country's imports was only 2.1%. This made the ROK Chile's 11th largest import partner (UN Comtrade, 2021). In 2019, China was Chile's largest import partner and Japan was the sixth largest, with Taiwan ranking lower than the ROK (UN Comtrade, 2021).

Both ProChile –the Chilean government's trade promotion agency– and KOTRA –its South Korean counterpart– have been instrumental in supporting the private sector. ProChile was launched in 1974 to boost commercial links between Chile and foreign partners (ProChile, 2021b). It has an office in Seoul, which supports Chilean firms seeking to establish themselves in the South Korean market (ProChile, 2021a). Meanwhile, KOTRA was established in 1962, it has an office in Santiago de Chile (KOTRA, 2021), and is very active in supporting the ROK's firms operating in the Latin American country.

In this context, there are clear opportunities for trade relations to expand, and the FTA renegotiation should help in this respect. In the case of Chile, it could diversify its export base by seeking ways to boost the export of foodstuff such as fish fillets, wine, and other types of fruit. Chile is already exporting these foodstuffs to the ROK, but the ROK's consumers are willing to pay a premium for high-quality products and Chile could benefit from this. Even in the case of pork, Chilean produce is sought after by the ROK's consumers since the

cuts they export are to their taste (Seo, 2019). So, Chile could boost exports even further. In the case of the ROK, a new generation FTA with Chile could boost the export of cultural and media products, as such products are becoming more popular in Chile as in other Latin American countries. There is also potential for the ROK to boost its exports of electronics and foodstuff to Chile. In the case of electronics, Samsung was the third most trusted brand among Chilean consumers (Yonhap News Agency, 2020a). In the case of foodstuff, exports in this category are minimal. However, the unparalleled importance of vehicles as a share of the ROK's exports to Chile is a challenge because it means that ultimately the purchasing power of Chilean consumers determines their value.

Compared to other countries in Northeast Asia, there are clear parallels in the Chile-ROK trade relationship and trade relations between Chile on the one hand and China, Japan, and Taiwan, on the other. Chile signed trade agreements with China in 2005 and Japan in 2007. The contents of these two deals shows that they were modelled on the Chile-ROK FTA (Organization of American States, 2021). Chile maintains trade surpluses with these three countries. Indeed, Chile's four biggest trade surpluses in 2019 were with China (US\$7 billion), Japan (US\$4.3 billion), the ROK, and Taiwan (US\$1.3 billion) (UN Comtrade, 2021). And in terms of exports, copper, other minerals, chemical products, and foodstuff dominate the transfer from Chile to China, Japan, and Taiwan (UN Comtrade, 2021), as is the case with the ROK.

However, there are some differences in terms of imports. China is a large exporter of broadcasting equipment, cars, consumer goods (e.g., toys), and clothes (UN Comtrade, 2021). In the case of Japan, the structure of its exports to Chile is very similar to the ROK's. Vehicles and petrol products dominate Japanese exports to Chile (UN Comtrade, 2021) and, as for Taiwan, these are dominated by blank audio media (used for recording), iron fasteners and polyamides (UN Comtrade, 2021).

In terms of trade agreements, the ROK has applied to become an associate member of the Pacific Alliance, and Chile has expressed its support for this to happen in the near future (Lee, 2019). Meanwhile, President Moon Jae-in has announced that the ROK is considering joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (Yonhap News Agency, 2020). Chile was one of the four original signatories of the Trans-Pacific Strategic Economic Partnership Agreement (TPSEP) in 2005, from which TPP negotiations were launched. TPP then evolved into CPTPP once the United States decided to withdraw from TPP. Signed in 2018, CPTPP includes Chile along with two other Latin American countries -Mexico and Peru- Japan from Northeast Asia, and eight other partners on both sides of the Pacific (McBride, Chatzky and Siripurapu, 2020). Were the ROK to join CPTPP, this would boost its trade links with Chile considering that it is a new-generation FTA.

Both Chile and the ROK have been affected by the US-China trade war as well as the COVID-19 pandemic. However, Chile has been hit much harder than the ROK. The Sino-American trade war resulted in an economic slowdown in Chile, with such a deep impact that it led to domestic prospects due to the economic slowdown (Ng, 2019). Given that Chile specialises in the export of raw materials used in manufacturing, the disruption to supply chains, and a decrease in trade between China and the United States has had a direct impact on the Chilean economy, which is why the latter is now seeking to diversify away from raw materials to withstand future trade wars, for example by developing finance and other services (Stott, 2019). Meanwhile, the Chilean economy has suffered given the large death toll caused by the COVID-19 pandemic. With a death ratio of 90.27 per 100,000 people, Chile is in the fifth most severely affected country in the world (John Hopkins University, 2021) and, as a result, has suffered a deep economic impact from the pandemic, which is expected to lead to a drop of 5.6% in the GDP in 2020. This will be Chile's biggest recession since 1982 (OECD, 2021).

### **3. INVESTMENT RELATIONS**

Investment links between Chile and the ROK trail well behind their bilateral trade relationship, particularly when it comes to investment from the Latin American country into its Asian counterpart. Investment relations are governed by article 10 of their bilateral FTA. However, the FTA were signed and entered into force before the boom in the digital economy, and the associated changes this has brought. Thus, this aspect of Chile-ROK bilateral economic relations is in need of modernisation.

Chile's FDI in the ROK is negligible. According to fDi Markets data, only Agrosuper has invested in South Korea since 2003. The Chilean meat producer invested \$19 million in 2014. The limited investment shows that there are few investment opportunities for Chilean firms in the ROK, an issue that the latter will have to work on.

In the opposite direction, the picture is more positive as a result of complementarities between the ROK's firms and the structure of the Chilean economy. According to the ROK's investors in Chile, the main drivers behind their investment were profitability and the security of individual projects. Furthermore, the ROK's investors noted that they benefited from financial support from the Korea Export Import Bank (Korea Eximbank) to finance their investment (Plottier and Park, 2020). Founded in 1976, Korea Eximbank is tasked with providing export credit to the ROK's firms investing overseas (Korea Eximbank, 2021).

The ROK's FDI in Chile is mostly directed towards the mining, hydrocarbons, and energy sectors. The three biggest mergers and acquisitions by the ROK's companies in Chile have been in these sectors: Korea Resources Corporation's (KORES) acquisition of a

30% stake in the Santo Domingo Project in 2011 (mining), Samsung C&T and KORES' acquisition of mining assets in 2010, and LG's acquisition of a 20% stake in GeoPark in 2011 (hydrocarbons) (Plottier and Park, 2020). The ROK's firms have also invested in new projects, and POSCO has been active in Chile with greenfield investment. In 2007, it was awarded a contract to build a coal-fired power station. This was the first time a ROK company built a power-generation facility in Latin America, and since then, the company has built two more plants in Chile (POSCO, 2021). Chilean firms have also signed supply agreements with the ROK counterparts. For example, in 2020, SQM signed an eight-year deal with LG Energy to supply lithium (Reuters, 2020). However, investment in other sectors and by firms other than big conglomerates (*chaebol*) or state-owned enterprises has been minimal.

## CONCLUSION AND RECOMMENDATIONS

The economic relationship between Chile and the ROK has strengthened significantly since the entry into force of their bilateral FTA in 2004. In particular, Chilean exports to the ROK have benefited tremendously from this FTA and the country's former exporters have profited from the complementarity between their areas of comparative advantage and the needs of the ROK economy. In particular, the ROK's firms need Chile's copper and chemical products, and the ROK's consumers want Chilean foodstuff. Chile too has also gained from the ROK's investment. Its natural resources and need to improve its energy infrastructure has attracted FDI from big ROK conglomerates and state-owned enterprises.

As for the ROK, the FTA has served its firms to get a strong foothold in the Chilean car market and to export petrol products. The ROK has not attracted much investment, but its firms have benefitted from their know-how, capital, and support by the Korea Eximbank investment in Chile. Having said that, the ROK's exports to Chile are affected by the state of the Chilean economy and the ROK's investment is to a great extent, the result of complementarities between its firms and Chile's needs. Thus, the Chile-ROK FTA has, on the whole, been less beneficial to the ROK than it has to Chile. `

As Chile and the ROK seek to modernise their FTA, the digital economy including e-commerce and investment provisions should be the top priorities. Both countries would benefit from upgrading their FTA and bringing it in line with existing new-generation agreements. Having said that, Santiago and Seoul should be looking for opportunities to strengthen economic links even before they conclude their FTA modernisation negotiations. Chilean food firms can already increase their exports with the existing framework. The ROK can look into how to boost the export of cultural and media products, as well as foodstuffs. Even if by value they are unlikely to challenge the dominance of car exports, they can help the ROK to diversify its exports to the Latin American country.

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# PERU - REPUBLIC OF KOREA RELATIONS

페루 - 대한민국 관계

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## **1. INTRODUCTION**

The bilateral relationship between the Republic of Peru and the Republic of Korea (ROK) has become ever closer since 1963 when they first established diplomatic relations. Official state visits from one country to another have been frequent and investment has increased, as has development cooperation (Rodríguez, 2013; Ministry of Foreign Affairs Republic of Korea, 2020). In 2005, 2009, 2010, and 2012, Peruvian presidents Alejandro Toledo, Alan García, and Ollanta Humala visited the ROK. In 2008 and 2015, the ROK's presidents Lee Myung-bak and Park Geun-hye visited Peru, and, in 2016, the ROK's Prime Minister, Hwang Gyo-an (Ministry of Foreign Affairs, 2020).

Both countries have a clear desire to continue strengthening their trade relationship as well as their cooperation on political issues and multilateral affairs (The Korea Post, 2019; IDB invest, 2020). The establishment of the bilateral Comprehensive Strategic Partnership in 2012 and the entry into force of the Free Trade Agreement (FTA) in 2011 constitute major milestones. The Korea-Peru Economic Cooperation Centre opened in 2012 at Seoul National University together with the “Centro de Estudios Asiáticos de San Marcos”, an ongoing collaboration with the ROK's universities and governmental agencies, are a testimony of the close relationship (SNU, 2012; UNMSM, 2020). To add to this, the COVID-19 pandemic has reinforced the strong ties between the two countries, making them actively cooperate by sharing experiences and providing humanitarian supplies. These supplies derive primarily from the ROK to Peru (Ministry of Foreign Affairs, 2020), as the latter has been one of the most severely affected countries in Latin America.

However, it is important to mention two significant crises that Peru suffered in 2020 and analyse their implications for the relationship with the ROK.

### *The political crisis*

In November 2020, Peru had three presidents in only seven days. It started with the impeachment of President Martin Vizcarra by the Peruvian Congress based on “moral incapacity” and the designation of Manuel Merino as the new interim president. This change provoked massive protests in a number of the country's

cities, resulting in the death of two young people caused by strong police repression. In response to the protests, Merino resigned and Francisco Sagasti was elected by Congress as the new interim president. Fresh presidential elections are programmed for April 2021 (BBC News Mundo, 2020).

### *The economic crisis*

As mentioned above, the COVID-19 pandemic has affected Peru severely. According to the World Bank, “Peruvian households experienced one of the largest employment and income losses in Latin America” (The World Bank, 2020) due to 107 days of strict confinement in an attempt to contain the virus from spreading. GDP declined 17.5% in the first semester of 2020 and consumption was highly impacted. Nevertheless, the new vaccine and the completion of projected public investment is expected to improve the situation in 2021 (The World Bank, 2020).

Both crises have affected investors’ perception of Peru, previously seen as a fast-growing economy (The Economist, 2020). Even though the designation of a centrist like Sagasti in the presidency has somewhat eased tensions until April 2021, international investors still fear a populist government may win the next presidential elections (The EIU, 2020; Fowks & Cota, 2020). Until November 2020 Peru’s politics and economy were seen as two independent areas since presidents of different ideologies have pursued an orthodox economic policy, but uncertainty, e.g., regarding debt and FDI policies, in relation to the next few months is running high.

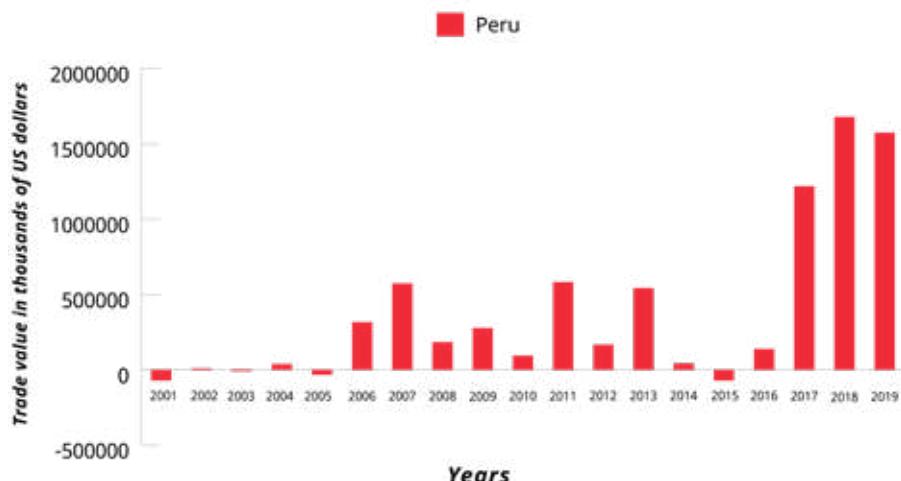
## **2. TRADE RELATIONS**

Peru has had an important trade relationship with the ROK for almost 50 years, to the extent that a Korean Trade Agency (KOTRA) office has been located in the Peruvian capital Lima since 1971 (Connect Americas, n.d.). However, the Peruvian Foreign Trade Office in Seoul was only established in 2014 (Dominguez, 2018.). In November 2006, a Joint Feasibility Study for a Free Trade Agreement (FTA) between Peru and the Republic of Korea was initiated, with the Peruvian National Confederation of Private Business Institutions (CONFIEP) and the Graduate School of International Studies at Seoul National University as the entities responsible for conducting the study. The study concluded in 2008, and the negotiations started in November of the same year, immediately after the study came to an end. The FTA agreement took only two years, three specific meetings and five negotiation rounds to complete. It was signed on March 21, 2011 and entered into force in August 2011, replacing the existing ROK-Peru bilateral investment treaty, signed in 1993 (UNCTAD, 2020).

Nine years following the signing of the FTA, the ROK is now established as one of Peru's main export destinations, alternating between fourth and third place since 2018 (ComexPeru, 2020). The ROK has a constant demand for natural resources, which Peru increasingly exports each year. Peru's exports to the Republic of Korea consist of minerals such as copper, zinc and oil, and agricultural products like coffee, mangos, and grapes. Together, mining and agricultural goods constitute 86.4% of all exports from Peru to the ROK (ComexPeru, 2020), but it is worth noting that non-traditional exports from the fishing sector, such as squid, are on the rise, as evinced by the recent decrease in the Korean squid catch (Yoo, 2020, p. 3). As the representative of the Peruvian Institute for Research and Development of Foreign Trade (IDEXCAM), Oscar Quiñonez, stated "products such as squid, prawn, and coffee have been gaining an important space among the top ten export products to Korea" (Facultad de Ciencias Sociales – Uniandes, 2020). Similarly, superfoods such as quinoa, chestnuts, purple corn, cacao, anchovies, tangerines, and avocados, among many others, are growing in demand as the Korean market for healthy food increases in size (The Korea Post, 2019; ComexPeru, July 2020; Andina, 2017).

On the other hand, the ROK's exports to Peru consist primarily of manufactured goods like machinery, chemical products, and vehicles (ECLAC, 2015, p. 66). During the first eight years of the FTA those manufactured goods exported to Peru fell by an annual rate of 6.9%, while primary and intermediate goods grew at an annual average rate of 2.5% (Ministerio de Comercio Exterior y Turismo, 2019). In general, during that same period, manufactured goods had a participation of 37.8%, with automobiles being the most important item. Primary and intermediate goods provided a participation of 32.9% during the first eight years of the FTA, with chemicals, petroleum oils, plastics, iron parts, and vehicle accessories comprising most of these (Ministerio de Comercio Exterior y Turismo, 2019).

An analysis of the trade relations between the ROK and Peru reveals the constant decrease of exports to Peru since the FTA was signed, as well as rather volatile imports from Peru during the first three years of the FTA that then turned into fast-growing imports. The decrease of exports to Peru is strongly associated with declining vehicle sales in the Pacific Alliance countries, related, in turn, to currency devaluation against the US dollar during the last few years (Frost & Sullivan, 2017). Exports to Peru and Latin America are also now expected to fall because of the 2020 pandemic. On the other hand, imports from Peru were unstable during the first years of the FTA because of the drop in commodity prices in 2013 (Gacs, 2014), but these later recovered while Peru also diversified its exports. These two factors allowed the value of imports to rise.

***Trade balance between the ROK and Peru, 2001-2019***

*Source:* UN Comtrade (2021).

The data reveals a trade deficit for the ROK since 2006, except in 2015. However, this does not necessarily constitute a disadvantage for the ROK. Peru plays a significant role in providing the Republic of Korea with raw materials to produce the manufactured goods that it exports worldwide, ranking 30th among all imports in 2019 (Trading Economics, 2020; IDB, 2015, p. 31). Put simply, Peru does not have a sufficiently big market for manufactured goods in order to create a trade surplus for the ROK. Moreover, the Republic of Korea is very much interested in investment opportunities that the FTA presents for Korean companies, and in the bridge that this agreement represents in terms of the ROK entering other LAC markets (IDB, 2015, p. 31).

The slow elimination of some tariffs and the quick reduction of many others under the FTA demonstrates the commitment of both countries and the comprehensiveness of the agreement, considering that the ROK-Peru FTA is the only one between the Pacific Alliance countries that includes chapters involving labour and financial services, besides environmental considerations (Santa Gadea, 2015, p. 31; ECLAC, 2015, p. 56), though later agreements, e.g., with Colombia, also include similar provisions, including those directed at sustainable development. The comprehensiveness of the FTA can also be appreciated when observing that “very important issues related to national treatment were incorporated, including the pre-establishment of investment, the prohibition of the performance requirement clause, technology transfer, the prohibition of the requirement of an exclusive supplier, and the requirement of investment in research and development in order to access tariff reductions” (Facultad de Ciencias Sociales – Uniandes, 2020).

Despite the overall success of the FTA, some issues remain to be solved. The first concerns logistics and transportation deficiencies in Peru. According to the Logistics Performance Index of 2018, Peru was ranked 86th among 163 countries, mainly due to weak highway systems (The World Bank, 2018). The long transit times to ports and airports are caused by the lack of adequate highways, affecting the export performance for perishable goods, export diversification, and small and medium-sized enterprises' (SME) access to different markets (Santa Gadea, 2015, p. 52). The second issue involves non-tariff barriers related to the rules of origin and health protocols. The rules of the FTA established that certain materials must be original to the exporting country, and when using foreign materials for production, a regional content value formula must be applied in terms of a maximum percentage (Ministerio de Comercio Exterior y Turismo, 2019). This limits the possibilities regarding production with materials from other Pacific Alliance countries that have an FTA with the ROK. An expanded list of origin could be contemplated in a possible FTA renegotiation (Santa Gadea, 2015, p. 33). Finally, health protocols that make the export process for SMEs rather difficult could be adjusted; e.g., in the context of a possible renegotiation of the FTA, by the health authorities of each country (Santa Gadea, 2015, p. 32). An example of this is the mandatory registration of Korean medication by the American Food and Drug Administration (FDA) in Peru (Biz Latin Hub, 2020).

### **3. INVESTMENT RELATIONS**

After the FTA was signed in 2011, the ROK's FDI flows in Peru increased to unprecedented levels that have remained high ever since, except for 2017. Korean investment in Peru has focused on mining and quarrying, especially copper production. There is a close relation between total investment and mining investment from 2006 to 2018. The plunge in 2017 was due to the end of the metal production boom caused by new copper mines reaching full operational capacity (BBVA Research, 2019, p. 51). Investment in other sectors such as manufacturing, wholesale and retail trade, and information and communication is also noticeable, although clearly not very significant in comparison (Korea Eximbank, 2020). Investment between 2003 and 2020 spiked in 2008, with smaller amounts in 2010 and 2019, and targeted mainly chemicals and biotechnology, with the former totalling 89% of total investment and the latter, the remaining 11% (fDi Markets, 2020).

More than 90% of the ROK's investment in Peru during the last twelve years came from the Chaebols (large Korean business conglomerates). However, SMEs are becoming increasingly important in Korea as the country supports them, and the economic relationship between the two countries continues to evolve (The Korea Post, 2019; Plottier & Park, 2020, p. 35). The Korea Trade-Investment Promotion Agency (KOTRA) and the Export-Import Bank of the Republic of Korea (Korea Eximbank) provide information,

guidance, and comprehensive loans to SMEs (Plottier & Park, 2020, p. 45), especially in the areas of health, biological medicines, vehicles, and cosmetics (Biz Latin Hub, 2020). KOTRA supports the collaboration with Peruvian entities in various sectors; e.g., in the joint venture production of 20 airplanes by the Peruvian Air Force and the Korean Aerospace Industries (Ministerio de Defensa, 2017). In addition, both the ROK and Peru encourage SMEs seeking joint entrepreneurial opportunities. Spaces to seize those opportunities are actively being created through events and initiatives from governments and international organizations (IDB Invest, 2020).

As Korean investment in Peru increasingly focuses on infrastructure projects, an emphasis on an environmentally sustainable investment relations is warranted. Peru is planning to build Lima metro lines 3 and 4 as well as highways and other social infrastructure where Korean companies' participation is anticipated (Ministry of Foreign Affairs, Republic of Korea, 2020). As a result of the increasing commitment of Korean companies to sustainable management and the production of corresponding reports (Plottier & Park, 2020, p. 48), as well as the commitment of the ROK to promote trade and sustainable development in the context of ECLAC (IISD, 2018), additional processes and initiatives can be expected in the near future.

In terms of cooperation, before the FTA was signed, Korean aid to Peru had reached a peak which then rapidly decreased. After the FTA entered into force, it slowly started to increase again, reaching its highest amount in 2018, with the ROK occupying the 9th place among donor countries for Peru (OECD, 2018). In terms of sectoral distribution, Korean aid closely follows the Country Partnership Strategy for Peru 2016-2020, which established development cooperation objectives for public health, public administration, environment, and transport (The Government of the Republic of Korea, 2017). By way of an example, between 2016 and 2021, KOICA has invested US\$ 10 million in order to diversify Peru's industry structure by focusing on software (Donor tracker, 2016).

## CONCLUSIONS AND RECOMMENDATIONS

The traditionally good diplomatic and commercial relations between the ROK and Peru have opened the doors for establishing, maintaining, and deepening comprehensive commitments such as the FTA that provide mutually beneficial results. Peru obtains the most advantages from the trade surplus between both countries and Korean aid for development, while the ROK is especially favoured by the investment relationship and a steady demand for its manufacturing goods.

In terms of policy recommendations, providing a higher amount of aid for transport and investing more in transportation logistics is an advisable strategy for the ROK, while at the same time paying close attention to sustainable development commitments,

especially regarding mining projects. A better quality of Peruvian highways would lower the price of some imports and thus increase their supply in the ROK. What is more, since the majority of Korean exports to Peru are vehicles, this could also increase their consumption in Peru in the future.

As pointed out earlier, some improvements could be made to the existing FTA. An expanded list of origin, merging origins with ROK-Chile FTA and the ROK-Colombia FTA, could take the exports from these countries to another level. This could also work as a push for the negotiation of an FTA with Mexico, one of the biggest importers of Korean products in Latin America. Likewise, a renegotiation of some aspects related to non-tariff barriers might be in order. Barriers associated with administrative requirements could be easily removed, and thus incentivise participation and joint entrepreneurial opportunities for both Korean and Peruvian SMEs.

Finally, a note to remain cautious as an investor until the next presidential election in Peru in April 2021. Even though politics and the economy have acted in parallel for the last decade, the current political situation in Peru is still on the edge, something to be aware of considering that the country is also going through an economic crisis and trying to control the COVID-19 pandemic.

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# COLOMBIA- REPUBLIC OF KOREA RELATIONS

콜롬비아 - 대한민국 관계

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# COLOMBIA- REPUBLIC OF KOREA RELATIONS

*Dr Carolina Urrego-Sandoval, Universidad de los Andes*

## 1. INTRODUCTION

Exploring the Colombia-ROK relationship implies discussing important shared historical experiences that connected the two countries and their peoples. That is, Colombia was the only Latin American country to deploy ground military forces to support the ROK during the Korean War. In 1951, the Colombian Battalion joined the United Nations (UN) forces, a total, 5062 men participated, including infantry soldiers and 300 navy sailors. By the end of the war, 145 Colombian men had died, 69 disappeared, and 610 had been wounded. On the 70th anniversary of the beginning of the War, the Korean Ambassador to Colombia, HE Choo Jong-Yong (2020), pointed out that Colombia's support constitutes the most crucial element of the bilateral relationship. He added that Colombia is a long-time friend of Korea due to the brotherhood forged through blood during the war. Both countries had experienced a past of conflict and devastation. Now that Colombia signed a Peace Agreement with the FARC guerrilla, it is looking at future challenges, trying to maintain peace, and as part of this, sees the ROK as an important ally.

The ROK has historically expressed profound gratitude to Colombia and its veterans, flying them and their families to Korea for an annual commemoration ceremony. For many years, the ROK has provided scholarships to veterans' descendants and makes significant efforts to preserve the veterans' legacy for future generations. Participating in the Korean War had substantial effects in modernizing and professionalizing the Colombian army and its military doctrine. It is therefore not surprising that cooperation in security between the two countries continues today. In 2016, the ROK donated a rehabilitation centre for veterans, injured soldiers, and police officers. In 2013, it transferred a Corvette to the Colombian navy, and another Combat Corvette (Almirante Tono) in 2020.

The relationship between the ROK and Colombia has not always been this dynamic. When the Korean war started, they had no diplomatic relations. These were only officially established in 1962. In 1971, the Republic of Korea set up a diplomatic mission in Bogota, and in 1978 Colombia opened its Embassy in Seoul, after which the relationship was limited mostly to subscribing cultural, scientific, and technical cooperation agreements. It only rebooted at the beginning of the 21st century with a renewed and shared interest in further developing trade and investment ties. The

KOR started bolstering its trade ties with Latin America in 1999 when it started the FTA negotiation with Chile, seeking out new trade partners beyond the USA and Europe (Kim, 2000; 2004). Consequently, high-level political dialogues intensified, particularly when ROK-Colombia FTA negotiations began in 2009 in Seoul (SICE, 2021), signalling the increasing importance of the bilateral relationship.

In 2011, President Juan Manuel Santos visited Seoul to bolster trade and investment cooperation and met with business sectors and high-level organizations. During the visit, both countries elevated the relationship to an association of strategic cooperation (Korea Official Development Assistance, 2021). In 2012, during the 50th anniversary of diplomatic relations, President Lee Myung-bak became the first ROK head of state to visit Colombia (Cancillería de Colombia, 2021). Later, in 2015, President Park Geun-hye visited Bogota to advance the strategic partnership and approval of the FTA (Korea Herald, 2015). In 2019, Prime Minister Lee Nak-yon visited Bogota as part of a diplomatic effort to expand the ROK's diplomatic relations with South and Central America. During his visit, they established cooperation agreements in infrastructure construction, information and communication technology (ICT), defence, and creative industries.

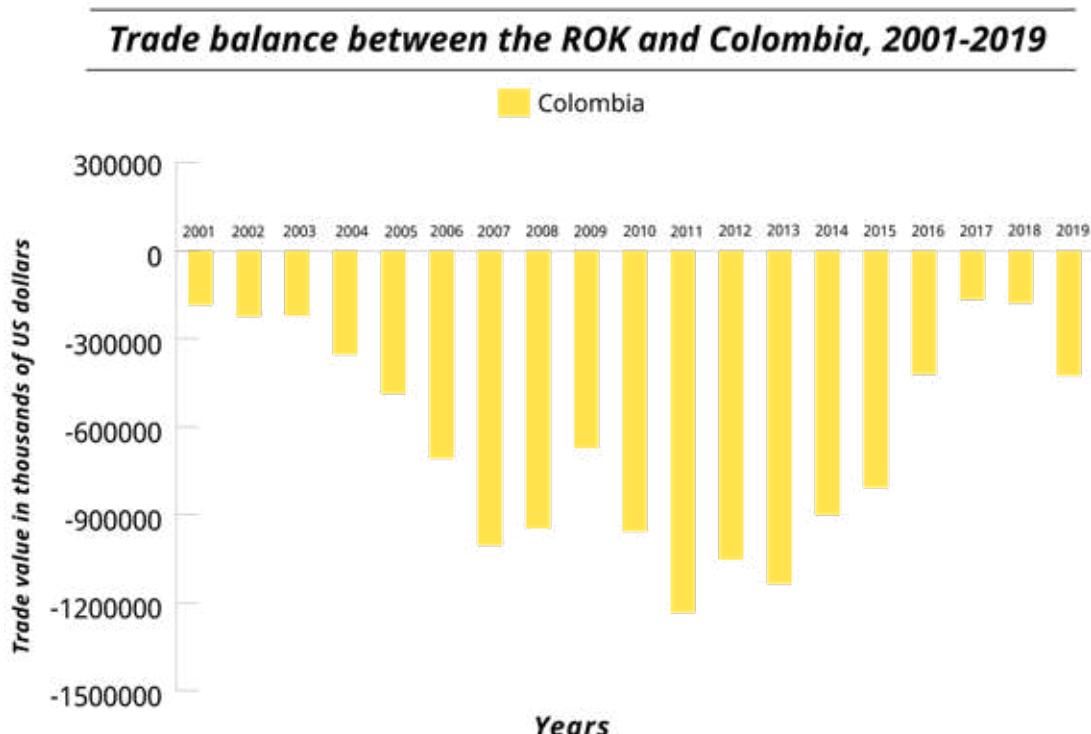
## 2. TRADE RELATIONS

During the last two decades, trade cooperation between the ROK and Colombia has increased, and the FTA marks the beginning of a new age of cooperation. After establishing FTAs with Chile and Peru, Colombia followed. As a middle-income country, with a significant population, and a growing demand for automotive, transportation equipment, and technology items, Colombia constituted an attractive trade partner. When the FTA negotiations began, Colombia had three main goals: 1) gaining preferential access to agricultural products, 2) attracting Korean investment, 3) securing the ROK as a source of industrial products and machinery. At that point, Colombia had signed FTAs with the United States (2006), Chile (2006), the Northern Triangle (El Salvador, Guatemala, and Honduras), Canada (2008), the European Free Trade Association (EFTA), and had an ongoing negotiation with the European Union. After seven rounds, in 2013, they signed the FTA and it entered into force in 2016, paving the way for a legal framework to advance trade and investment and reduce uncertainty. It is the most recent FTA subscribed by a PA member with the ROK. In the case of Colombia, it remains the only FTA subscribed with an Asian country.

In 2019, the ROK was Colombia's 17th largest export destination, and Colombia was the ROK's 48th exports destination (UN Comtrade, 2021a). In Latin America, Colombia is the ROK's 6th largest trade partner after Mexico, Brazil, Bahamas, Panama, and Chile.

For Colombia, the FTA eliminated tariffs for 82.25% of all products that could enter the Korean market. The elimination of remaining tariff barriers was established as staging categories. For the ROK, it eliminated tariffs for 60.69% of all products that could enter the Colombian market. By value, Colombian exports to the ROK are dominated by coal copper, copper waste, scrap, coltan, ferronickel, and aluminium, followed by coffee and its derivates, and flowers (UN Comtrade, 2021b). In 2016, Colombia was the second biggest coffee bean exporter to the ROK after Brazil, and it is one of its main exporters of instant coffee extracts and essences. In turn, the ROK's main exports to Colombia are telephone sets, parts and accessories for tractors, motor vehicles, and chemical products such as mixed alkylbenzenes and mixed alkylnaphthalenes. For example, in the case of vehicles, Hyundai and Kia are the most popular brands among the country's yellow taxi owners.

Historically, the ROK has maintained a trade surplus with Colombia that increased after the FTA entered into force.



**Source:** UN Comtrade (2021).

Even though the trade balance alone does not reflect the bilateral relationship's complexity, it does shed lights on its trends and dynamics. Notably, Colombia's trade deficit emerged from significant inter-industry trade disparities in terms of value. While ROK exports to Colombia are high value-added products, Colombian exports to the ROK are mainly commodities, constituting trade complementarities. However, since 2006, the deficit has increased, reaching its highest peak in 2011. This phenomenon is explained by the revaluation of the Colombian peso (COP) due to the commodity price boom

(2010-2014) from which Colombia profited, when its purchasing power augmented, along with its imports from the ROK. In 2015, the exchange rate stabilized, oil prices decreased, and imports declined. Since then, the trade deficit has reduced. According to The Ministry of Commerce, Industry and Tourism (MinCIT, 2020), for the first time, in 2020, Colombia had a trade surplus close to US\$50.2 million. This variation occurred because Colombian imports from the ROK declined due to the negative impact of COVID-19 on its economy, also affecting the ROK's car and automotive parts exporters.

There are opportunities for advancing trade between Colombia and the ROK. The latter has the potential to satisfy Colombia's growing demand for information and telecommunication technology products, including cell phones; to export cultural media products such as music, movies, and tv shows; and to advance electronic commerce initiatives. According to the ITC (2021), propylene, employed to produce polypropylene plastics, could serve as another ROK export. Also, as the agreement included new generation provisions, the ROK can participate in government procurement, mostly in infrastructure and information and telecommunication initiatives.

For Colombia to further benefit from the FTA, it needs to diversify its export basket and reduce its high dependence on extractive industries. Indeed, over the last five years, non-mining and energy exports have grown in volume. MinCIT (2020) identified products that could benefit from the agreement, including dried fruits preparations, paper, clothing and manufactures, plastics and rubber, chemical products, cosmetics, cleaning products, and textiles. In terms of agricultural products, Colombia is awaiting the approval of new phytosanitary protocols to export Hass avocado, pork meat, and Tahiti lemons to the ROK. According to the ITC (2021), fresh and dried bananas show significant potential as additional exports for Colombia. From the perspective of the Colombian private sector, some of the main barriers for advancing trade between two countries are non-tariff barriers, limited understanding of Korean consumer habits, logistics limitations, and high transportation costs.

Bilateral chambers of commerce and agencies such as KOTRA and Procolombia have promoted trade, investment, and tourism between the two countries. After the FTA entered into force, the Peace Process with FARC facilitated Korean tourists' arrival to Colombia. Procolombia, the trade, investment, and tourism promotion agency regularly launches activities, including business fairs and meetings. In 2017, it launched the website [colombia.travel](http://colombia.travel) in Korean. On average, 8000 Koreans visit Colombia every year, while only 500-600 Colombians visit the ROK annually (CITUR-MinCIT, 2020), pointing to future opportunities to bolster tourism from Colombia to the ROK. Notably, tourism constitutes an economic sector that benefited from closer ties between the two countries, but that is facing significant challenges emerging from the COVID-19 travel restrictions.

Despite its efforts, Colombia has tackled various challenges in establishing multilateral cooperation ties with Asia (Urrego-Sandoval, 2015). It tried joining APEC on several occasions 1995, 1997, 2007 y 2010 but its membership is still pending. Colombia also made diplomatic efforts to enter the Trans-Pacific Partnership (TPP) as did its fellow AP members Chile, Mexico, and Peru. The country is currently interested in the new Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) that replaced the TPP.

There are similarities between Colombia's relationship with the ROK and other Asian economies such as China and Japan at bilateral level. China has become Colombia's second-largest trading partner, and a top trading partner for Brazil, Chile, Argentina, Peru and Uruguay. Colombia exhibits a growing trade deficit with China which makes it unlikely for the two countries to establish an FTA. In turn, the US-China trade war could bring opportunities for Colombian and other PA exporters as they could enter the US market, replacing Chinese competitors. However, Colombian manufacturers fear that low-cost Chinese products seeking out new buyers will flood the Colombian market. Nearshoring is another strategy Colombia is implementing to attract American companies leaving China and thus, bring their supply chains closer to the US (Ghitis, 2019). In the case of Japan, again, the trade balance is negative for Colombia. In 2012, both countries initiated the negotiation of an Economic Partnership Agreement (EPA). However, talks stalled due to concerns regarding the possible adverse effects of the agreement and the limited opportunities for Colombian agricultural products.

Since December 2020, Colombia holds the pro tempore presidency of the PA, and supports the ROK's intentions of joining as an associate member (Suk-yee, 2020). Once the ongoing negotiations with Australia, New Zealand, Singapore, and Canada conclude, the AP will advance new negotiations with the ROK. However, the absence of a ROK-Mexico FTA raises questions regarding the evolution of the process.

### **3. INVESTMENT RELATIONS**

In 2010, both countries subscribed a bilateral investment treaty (BIT) that coexists with chapter eight of the FTA (UNCTAD, 2020). However, investment relations between the ROK and Colombia have been limited. Notably, investment from Colombia to the ROK tends to be sporadic and small. According to interviewees, the main reasons for this include, limited knowledge of the Korean business environment and high labour costs. However, there are various Colombian companies present in the ROK, including two green coffee distributors: Café Nogales and Amativo Korea, along with Daabon Organic, a company that started operations in 2018 and sells organic palm oil, bananas, and coffee (이경식, 2018).

In contrast, investment trends have exhibited more dynamism (fDi Markets, 2021). Nonetheless, Colombia has received less FDI from the ROK than other PA members (Korea Eximbank, 2020). Notably, ROK's investment in Colombia has focused on information and communications, manufacturing, wholesale and retail trade, transportation and storage, construction, and more recently, scientific and technical activities. Investment between 2009 and 2019 increased considerably, but has declined since. More than twenty Korean companies operate in Colombia, including chaebols such as Samsung Electronics, LG Electronics, Hyundai Motor, and POSCO (Whan-woo, 2019). In 2017, Daeyang Electric constructed a waste recycling facility in Cota, and last year, Korean Re, a reinsurer company, opened a representative office in Bogota as part of its strategic expansion in Latin America.

Korean companies have collaborated with Colombian public authorities in various sectors. In 2015, for example, LG CNS participated in three IT government procurement projects related to a payment system for Transmilenio (Bogota's bus rapid transit system) and the Integrated Public Transportation System (SITP), and an inter-municipal transportation system control in Pasto. In 2019, Hyundai Engineering & Construction completed a sewage treatment plant near Medellin.

Due to growing improvements in the security and business environment, Colombia can be a promising investment destination for Korean firms. Mainly, there are possibilities in agriculture, cultural and innovation industries, and textiles and manufactures. The Colombian government created significant tax incentives for micro, small, and medium-sized enterprises to locate in areas most severely affected by the armed conflict (ZOMAC). Companies starting their activities from 2017 to 2021 will pay 0% income tax, and from 2022 to 2024, the tariff will be 25%-50% of the general income tax rate for legal entities. For the years 2025 to 2027, the rate will be 50%-75% of the general rate (Departamento Nacional de Planeación, 2017). This initiative aims to promote the peace agreement's implementation, and stimulate employment and sustainable development opportunities.

In terms of cooperation, since 2008, Korean aid to Colombia has increased and peaked in 2018 (OECD, 2020). During the FTA negotiations, the ROK provided trade-related development assistance for trade facilitation activities including customs modernization. Currently, the ROK's aid addresses four strategic lines: transport, post-conflict, regional development, and industrial development. Since the COVID-19 pandemic started, Korea has prioritized Colombia as a cooperation partner. Within this framework, the ROK has provided intensive care units ICU to a Hospital in Engativá (Bogota), detection kits, medical equipment, and protection suits. Also, KOICA provided US\$5 million to support projects addressing the COVID-19 emergency (Ministerio de Salud y Protección Social, 2020).

## **CONCLUSIONS AND RECOMMENDATIONS**

The two countries' shared experience of war and the support Colombia provided during the Korean War constitute the foundation of their bilateral relationship. Nowadays, the ROK's economic growth raises admiration among public and private sector actors in Colombia, raising questions regarding the future of the relationship. Trade became a central element, and expectations regarding the FTA remain high. It is relatively new and thus needs to gain ground in terms of implementation and monitoring. However, both parties can benefit from diverse opportunities within traditional and emerging sectors.

In terms of trade and investment in non-traditional sectors, it would be interesting to explore opportunities in electronic government, e-business, public procurement, infrastructure, biodiversity, cultural and media products, and health cooperation. Furthermore, both countries should encourage SMEs enterprises to explore opportunities in information and telecommunication technologies, clean energy, and sustainable businesses. In the case of the ROK, its companies could benefit from tax incentives in Colombia.

To address concerns regarding the trade balance, the ROK could implement trade-capacity development initiatives in Colombia, which may serve for private sector actors to better understand non-tariff barriers and Korean consumers' patterns and preferences, and they could benefit Korean importers of agricultural and food products such as bananas, avocados, coffee, and lemon. Similarly, to address concerns regarding car parts and vehicle imports, it may be useful to consider know-how and technology transfer initiatives between the two countries, issues that give rise to high expectations among business sectors in Colombia, mainly, as diversifying its export basket is considered a priority. ROK companies could also broaden their presence in Colombia and the region, profiting from established FTA networks, rules of origin norms, and expanded cumulation, and nearshoring initiatives.

The current economic difficulties Colombia faces due to the effects of COVID-19 will affect ROK exports, thus, joining the PA as an associate member could expedite the participation of the latter's companies in global value and supply chains among these countries. In this regard, Colombia has supported the ROK's request and, during its pro tempore presidency of the PA, will include the issue on the agenda. Looking to the future, many other areas of the relationship should be addressed and explored to strengthen current cooperation trends.

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# MEXICO-REPUBLIC OF KOREA RELATIONS

멕시코 - 대한민국 관계

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# MEXICO-REPUBLIC OF KOREA RELATIONS

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## 1. INTRODUCTION

Mexico and the Republic of Korea (ROK) have established a strong and growing partnership over the last few years based on a longstanding relationship. The contacts between the two countries date back to the late 19th century, as the then kingdom of Joseon foresaw the possibility of a friendship treaty with Mexico. In the first year of the 20th century, more than a thousand Koreans migrated to Mexico to work in the henequen plantations in Yucatán. However, Mexico has long treated the relationship from a “friendly distance” (León-Manríquez, 2010). For example, it showed no interest in the friendship treaty because of the geographical distance and the lack of knowledge about Korea (Romero Castilla, 2012).

In 1962, the two countries officially established diplomatic relations. While the ROK immediately opened an Embassy in Mexico, it is only in 1978 that the Mexican Embassy in Seoul was inaugurated and it took another nine years for a resident Ambassador to be accredited (Romero Castilla, 2012).

After what the former Ambassador of the ROK to Mexico, Koo Choong-Hoi described as a “long period of patient waiting and unilateral love” (Koo, 1997, p. 87), the bilateral relationship took off in the late 1980s. In 1989, the two countries signed an Agreement on Economic, Scientific and Technical Cooperation (United Mexican States and the Republic of Korea, 1989), and around that time, Korean companies started investing in Mexico. For example, Samsung and Hyundai opened plants in Tijuana, and LG and Daewoo in Mexicali (Haro, León, & Ramírez, 2011). In 1991, President Roh Tae-woo organized an official visit to Mexico and became the first Korean head of state to visit Latin America. In 1996, President Ernesto Zedillo visited the ROK, paving the way for regular high-level visits between the two countries.

Since the beginning of the 21st century, Mexico and the ROK have developed a strong partnership. In 2001, the presidents of Mexico and Korea established the Korea-Mexico 21st Century Commission to study the prospects of the bilateral relationship for the medium and longer term and to present strategies and specific actions to be considered by both governments. In 2005, this effort resulted in the creation of a Strategic Alliance for Mutual Prosperity (Comisión México-Corea Siglo XXI, 2005).

The bilateral economic relationship is now solid between the 12th (ROK) and the 15th (Mexico) world economies by GDP, according to the World Bank (2019). Mexico is now the ROK's leading trading partner in Latin America. In turn, the ROK has consolidated its position as Mexico's 6th largest trading partner worldwide. Moreover, the ROK is the 12th source of investment for Mexico worldwide and the second in Asia, after Japan (Embajada de México en Corea, 2019). There are also growing cultural ties between the two countries. For example, a Korean Cultural Centre was inaugurated in Mexico City during the 50th anniversary of the diplomatic relations in 2012, and bilateral flows of tourism have increased rapidly since the opening of a direct flight in 2017.

Mexico and the ROK are also jointly participating in several forums such as the Group of 20 (G20) that was created in 1999 but acquired renewed importance and a broadened mandate in the aftermaths of the 2008 financial crisis, the Organisation for Economic Cooperation and Development (OECD); the Asia-Pacific Economic Cooperation (APEC), and the informal middle power partnership between Mexico, Indonesia, the ROK, Turkey, and Australia (MIKTA) created in 2013 to support effective global governance.

## **2. TRADE RELATIONS**

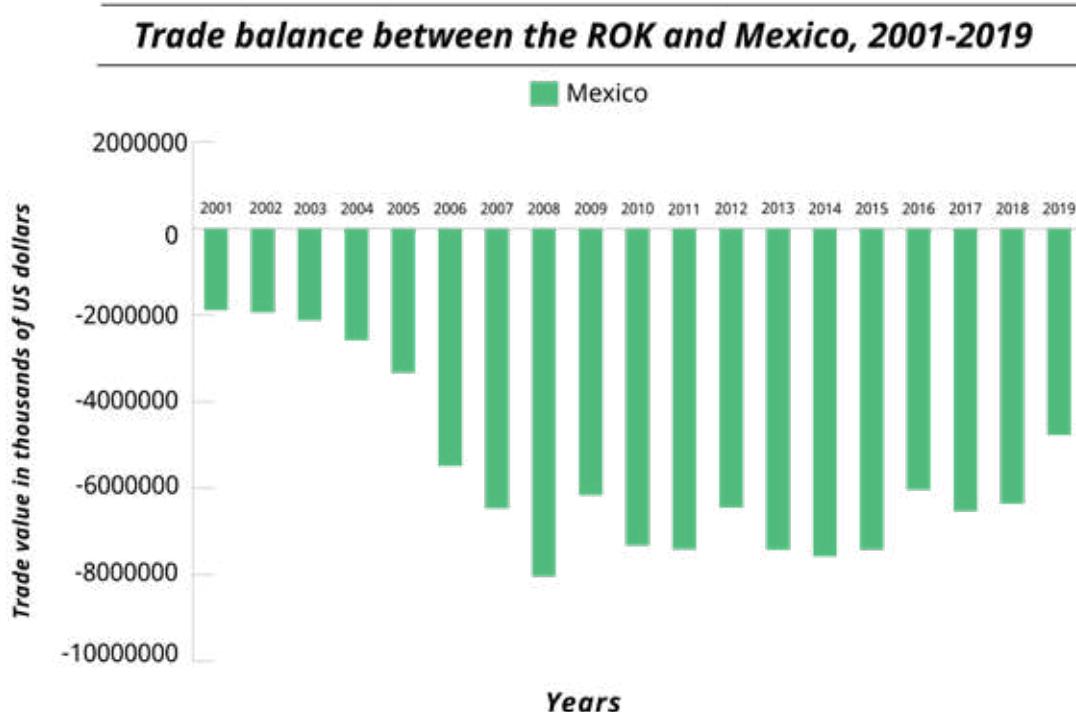
The Mexico-Korea trade relations present a particular state of affairs. As noted in the introduction, Mexico is the ROK's main Latin American trading partner. Its importance as a trading partner within the Pacific Alliance is momentous. Mexico was the destination of almost 78% of the ROK's imports to the Pacific Alliance. It is also the major exporter to the ROK in the Pacific Alliance, accounting for more than 46% of the total exports in 2019 (UN Comtrade, 2021). Moreover, bilateral trade has increased approximately sevenfold over the past 20 years, from US\$2.4 billion in 2001 to US\$17 billion in 2019 (UN Comtrade, 2021). Mexico has benefited from its membership to the North American Free Trade Area to become an entry point of Korean products to the US market (Santa Gadea, 2015). However, this relation suffers from two important shortcomings. First, in contrast to other countries of the Pacific Alliance, Mexico has not signed a Free Trade Agreement (FTA) with the ROK. Second, the trade relations remain unbalanced.

Despite the development of trade between the two countries, Mexico is the missing link to complete the ROK's set of FTAs with the members of the Pacific Alliance (Santa Gadea, 2015, p.11). In 2005, the first talks toward the FTA took place. The negotiations officially started two years later. However, the talks stalled in 2008, because of both structural factors and internal constraints (Uscanga, 2009). The negotiations have met with significant resistance, especially from Mexican sectors such as the metal and automotive industries, which have shown scepticism towards the potential benefits of the agreement. In 2019, the Mexican government reaffirmed its commitment to the FTA "through the incorporation [of the ROK] to the Pacific Alliance" according to Luz María de la Mora, subsecretary for Foreign Trade of the Secretary for the Economy (Morales, 2019). In October 2020, Korean Deputy Foreign

Minister Kim Gunn visited Mexico to resume the negotiation of the FTA (Yonhap News Agency, 2020).

The Korean interest in reviving the negotiations has been constant over the years and Mexico opened the door to resume the negotiation process. Given that the ROK intends to join the Pacific Alliance as an associate state, it must sign an FTA with the four members of the regional bloc (Morales, 2019). As described in the other chapters, the ROK has already signed FTAs with Chile, Peru and Colombia, the three Alliance members and the absence of an FTA with Mexico is the only obstacle to the ROK's association to the Alliance.

The second shortcoming is the unbalanced nature of trade between the two countries. Historically, the Mexican trade balance has been in deficit toward the ROK, with intervals of deepening and recovery (UN Comtrade, 2021). Moreover, Mexico is exporting a greater proportion of primary goods and medium-technology goods to the ROK. Mexico's main exports to the ROK are oil, lead, zinc and silver ores, car parts, automobiles, and telephone accessories (UN Comtrade, 2021). Mexico's purchases from the Asian country consist mainly of technological goods. It imports mainly electronic integrated circuits, car parts, optical devices and automatic data processing devices (UN Comtrade, 2021). However, exports from Mexico to the ROK are increasing faster than imports. Imports from the ROK increased fivefold between 2001 and 2019, while Mexican exports to the ROK increased 23-fold in the same period. In 2001, Mexico was the 47th exporter to the ROK. In 2019, Mexico was the 18th exporter to the ROK with total exports amounting to more than six billion US dollars, surpassing countries like Canada and France (UN Comtrade, 2021).



**Source:** UN Comtrade (2021).

The bilateral trade relations might be impacted in the future by the consequences of the COVID-19 pandemic, the trade war between the US and China, and protectionist policies, especially in the US. New US tariffs and quotas have targeted both countries during the Trump administration. The new global trade context is not necessarily good for Mexico-ROK trade relations. For example, car manufacturers based in Mexico are concerned that they may lose market share in the US to Asian countries because of the new US-Mexico-Canada Agreement (USMCA). The USMCA has stricter rules of origins than the NAFTA in order to be exempted from tariffs. Other FTAs such as the KORUS between the ROK and the US have lower requirements to meet this objective (Villareal & Fergusson, 2020).

However, both countries have a shared interest in the current context to reduce their dependency on the economies of China and the US. Economic slowdown because of the COVID-19 pandemic and the unpredictability of future trade policies of the two great neighbouring powers require a diversification of trade relations. Studies have demonstrated the high degree of trade complementarity between Mexico and the ROK (Kwon Mun, 2004; Quintana-Romero, Mun, Rosales, Álvarez-García, 2020). Therefore, the bilateral relations will probably continue to grow and may constitute a strategic way to diversify exports and imports for the two countries. In this context, the negotiation of an FTA seems to be a priority.

Moreover, the two countries will jointly be participating in regional agreements. In early 2021, during the transition of the presidency of the Trans-Pacific Partnership (TPP) from Mexico to Japan, the foreign ministers of the two countries agreed to expand the membership of the TPP to interested countries, including the ROK (Japan Times, 2021).

### **3. INVESTMENT RELATIONS**

First, it is important to note that investment flows are almost one-way from the ROK to Mexico. Second, the ROK's investment in Mexico has historically been extremely undervalued as most of it is made through Korean subsidiaries in the United States and is therefore reported as part investment from the United States (Comisión México-Corea Siglo XXI, 2005, p. 28).

As we have seen, Korean investment in Mexico started in the late 1980s with the creation of electromechanical domestic appliances and automobile plants on the Northern border to supply the US market. In contrast to trade relations, investment relations between the two countries are covered by an encompassing Bilateral Investment Treaty (BIT) signed in 2000 and entered into force in 2002. The BIT includes State-State and Investor-State Dispute Settlement mechanisms.

Within the treaty's framework, Mexico became the sixth recipient of Korean FDI in the world between 2003 and 2019, both in number of projects and in capital expenditures (fDi, 2020). Moreover, the ROK's investment in Mexico created an estimated 70,000 jobs over the period, which makes Mexico the fifth country in the world where most jobs were created because of Korean investment (fDi, 2020).

A recent qualitative study conducted by the Economic Commission for Latin America and the Caribbean (ECLAC) highlights the importance of Mexico for Korean FDI and the prospects for increased investment in the future (Plottier & Park, 2020). The ongoing trade war between the US and China discourages investment in China due to the possibility of new tariffs. On the other hand, the participation of Mexico in the USMCA offers new opportunities to Korean firms to access a large market. Seventy-three percent of the 11 Korean automotive suppliers operating in Mexico export part of their production, and half of them exported more than 80% of their production (Plottier & Park, 2020, p. 37). Finally, most surveyed businesses pointed to the fact that technological change and the requirements of sustainable development will demand more significant investments (Plottier & Park, 2020, p. 39).

Two important investment projects in the renewable energy sector illustrate the prospects for investment in sustainable development. In 2018, Hanwha Group, together with the Korean Development Bank invested US\$115 million for the construction of Laguna Solar Park, a mega photovoltaic and wind project implemented in Mexico's Coahuila region. This project provides clean energy for the entire state and generates direct and indirect jobs in the region. The Laguna Solar Park was part of Mexico's long-term energy transition programme (Hanwha, 2018). In 2019, the Korea Electric Power Corporation (KEPCO) invested a total of US\$ 315 million in the construction of three photovoltaic parks in Sonora and Aguascalientes, which represented its major investment in Latin America (García, 2019).

## CONCLUSION AND RECOMMENDATIONS

The ROK and Mexico have developed a strong partnership over the years. Mexico has become an important partner in different realms. Trade between the two countries is thriving and the trade relation is becoming more balanced. Korean investment in Mexico has increased and current flows evidence the prospects of a strong and stable relationship in the future. Moreover, investment is evolving from the creation of exportation-oriented plants on the Northern border toward more diversified investment, including emerging sectors such as renewable energy. As noted by the Ambassador of Mexico to the ROK in 2016 (Bernal-Rodríguez, 2016), the two countries share interests in promoting an effective and democratic global governance and in the creation of ambitious regional

integration projects. The mutual lack of knowledge and cultural differences between the two countries are being addressed based on the recommendations of the Korea-Mexico 21st Century Commission. The growth in tourism, and academic and cultural exchanges between the two countries evidence the efforts made to strengthen the relations. In the context of the COVID-19 pandemic, the Korean Embassy in Mexico has been coordinating cooperation; for example, through donations of health appliances to the Mexican Secretary of Health to help Mexico manage its response to the emergency in a hard-hit country.

The future of the partnership between the ROK and Mexico is of particular importance in an uncertain global context. Despite the positive evolution of the bilateral relationship, the lack of an updated institutional framework may undermine future cooperation.

The negotiation of an FTA between the two countries is crucial. Not only is it necessary for the ROK to become an associate to the Pacific Alliance, but it is also a way to address the concerns of different stakeholders regarding future trade relations. Thus, a generic trade agreement designed to overcome the obstacle to the integration of the ROK to the Pacific Alliance cannot be imposed on sceptical sectors. An open and inclusive negotiation is necessary in order to set the basis of a mutually beneficial trade relationship between two countries that are complementary in many aspects.

The 2000 BIT needs to be reviewed in order to respond to current needs in investment and to consider the evolving global context. Conditions have changed since 2000. The USMCA is different from NAFTA, which places Mexico in an unprecedented situation. With the rise of the digital economy, the economy itself has evolved, including 5G, and the growing importance of sustainable development.

Finally, scientific and technological cooperation between the two countries can be further developed. For example, in the qualitative research carried out by ECLAC (Plottier & Park, 2020), 7 out of 11 interviewed Korean companies in the automotive sector responded that they conducted Research & Development activities in Mexico. However, none did so in conjunction with local research institutes, universities, or technology centres. The future of the relationship requires a more in-depth integration beyond investment and trade, so that Mexican actors benefit fully from knowledge and technology transfer to foment local and sustainable development.

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# **CONCLUSIONS**

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This report set out to analyse key public and private sector stakeholders' perspectives regarding the evolution and outcomes of the FTAs negotiated and established in recent years between the ROK and the Pacific Alliance (PA) member states. It addresses how the FTAs have influenced trade, investment, and cooperation initiatives between the ROK and the PA. Consequently, our findings shed light on existing trade, investment, cooperation challenges, and opportunities between the ROK and the PA, fosters academic and policy-oriented discussions regarding the future of the relationship in the 21st century. The report makes policy recommendations for the ROK at two levels. 1) The bilateral between the ROK and each PA member; and 2) the multilateral between the ROK and the AP as a bloc.

Our findings suggest that the public and private sectors' overall perceptions of their relationship with the ROK are positive at the bilateral level. Official PA representatives show interest in the ROK's economic development and export-oriented culture. This element is valuable to develop future trade-related cooperation initiatives. In terms of the FTAs, public officials remain optimistic regarding future developments. Among private sector actors, the perception is positive. However, the report found a perceived limited understanding of the Korean market among PA business sectors.

In many cases, this had led to growing concerns regarding the implementation of FTAs. Therefore, differences will emerge considering countries and sectors. These concerns lay mostly on the trade balances and the private sector perceived ability to benefit from the FTAs. Consequently, each PA member case needs to be considered both independently and as part of the PA bloc.

For example, in Chile and Peru, the outcomes of the FTA are regarded positively. Particularly, in the agricultural sector, as it has significantly benefited from trade preferences and between 2004 and 2014, their exports to the ROK grew four-fold. Iconic products such as wine, grapes, and pork meat have now access to the Korean market. In Peru's case, the ROK is now one of the country's main export destinations. Together, mining and agricultural goods constitute 86.4% of all exports from Peru to the ROK. Mainly, superfoods such as quinoa, chestnuts, purple corn, cacao, anchovies, tangerines, and avocados, among many others, are growing in demand in Korea. In the other direction, the ROK has also benefited from these FTAs but to a lesser extent. The ROK exports to Chile by value grew consistently from the FTA entry into force until the Global Financial Crisis of 2008. Since then, however, the ROK's exports have remained relatively flat.

There are concerns among business sectors regarding trade deficits with the ROK in Mexico and Colombia. Notably regarding the effects of bilateral trade in sensitive industries such as automotive, electronics, chemical products, and metals. Historically, Mexico and Colombia's trade balance has been in deficit toward the ROK, with deepening and recovery intervals. The decrease of ROKs exports to PA members is strongly associated with declining vehicle sales, related, in turn, to the PA members currency devaluation against the US dollar during the last few years. These concerns are relevant because Mexico does not have an FTA with the ROK, which poses a limitation to the ROK's intentions of joining the PA as an associate member. The ROK-Mexico started negotiations in the past, but they could not reach an agreement due to the significant reluctance of sensitive sectors. Consequently, the absence of an updated institutional framework may undermine future cooperation. In this regard, the report notices that a trade agreement designed to overcome the obstacle to integrating ROK into the Pacific Alliance cannot be imposed on sceptical sectors. Therefore, an open and inclusive negotiation is necessary to set the basis of a mutually beneficial trade relationship.

At the multilateral level, the report found that PA public and private sector actors exhibit significant expectations regarding the possibility of the ROK joining as an associate member. The same is true for the ROK, which will insist on its extended membership. It constitutes a strategic foreign policy move towards south, central, and north America. That way, the ROK could benefit from a significant network of existing trade agreements and their proximity to the USA market. Its complementarities would facilitate establishing an expanded list of origin to benefit from cumulation and regulations to promote global supply and global value chains. Advancing this process requires two conditions to be met. 1) Concluding ongoing negotiations between AP and Australia, Canada, New Zealand, and Singapore. 2) Subscribing an FTA between the ROK and Mexico which can be challenging. Not only is it necessary for the ROK to become an associate to the Pacific Alliance, but it is also a way to address the concerns of different stakeholders regarding future trade relations.

Bilateral investment treaties (BTIs) co-exist with FTA investment chapters, except in the case of Mexico. The ROK-Mexico BIT was established in the year 2000, and it requires a revision to respond to the evolving global context. Investment links between the ROK and AP members are well behind their bilateral trade relationship, particularly regarding investment from the AP to the ROK. In terms of trends, investment is evolving from traditional sectors such as mining, hydrocarbons, and energy, towards more diversified areas. They include emerging sectors such as renewable energy. The effects of COVID-19 and the political and economic crisis it has created among PA members have affected investors' perception. It is crucial to notice that the ROK's investment in AP member states have historically been undervalued as, in many cases, they are made through

Korean subsidiaries in the USA, and it is therefore reported as investment from the USA.

Since the FTA negotiations between the ROK and Chile, Colombia, and Peru stated, aid flows have increased. However, the perception of the ROK as an ally has significantly improved during the COVID-19 pandemic. Notably, the ROK has actively cooperated, sharing experiences and providing medical and humanitarian supplies to PA member states. This opens a door for future health cooperation and science diplomacy activities.

## RECOMMENDATIONS

### Multilateral level

- Continue the negotiations for the ROK to become an associate member of the PA.
- Promote and support common positions in multilateral scenarios. Both the ROK and the PA members share interests in promoting effective and democratic global governance and creating ambitious regional integration projects.
- Advance trade, investment, and cooperation activities within the PA.

### Trade

- Update ROK-PA FTA and BITs when necessary. Particularly, to integrate digital economy elements, including e-commerce, 5G, investment provisions, and sustainable development opportunities.
- Explore cooperation initiatives in PA members public procurement, particularly in infrastructure, electronic government, and e-business (considering existing FTA provisions).
- Coordinate actions between the public and private sectors to promote ROK-PA trade and investment. Thus, provide resources to specialised agencies such as KOIKA and KOTRA to developed initiatives with ProChile, ProColombia, and PromPeru.

### Investment

- Explore and support investment opportunities for the ROK's companies considering tax incentives, nearshoring strategies implemented by other PA members, and opportunities in non-traditional sectors, such as cultural and media, information and telecommunication technologies, clean energy, and sustainable businesses.
- Encourage investment from the PA to the ROK through promotion strategies. We suggest encouraging SMEs entrepreneurs seeking opportunities on both sides of the

Pacific. Thus, governments and specialised agencies should promote and facilitate such activities.

### **Trade-related cooperation**

- Enhance scientific and technological cooperation between the ROK and PA members, particularly with Mexico and Colombia. There are opportunities for Korean companies to conduct Research & Development activities with local research institutes, universities, and technology centres, facilitating technology transfer processes. It would be highly regarded by PA member states business sectors, thus mitigating trade concerns.
- Advance trade-related development and trade facilitation activities within PA members. Key issues include 1) developing training opportunities to foster a better understanding of non-tariff barriers, Korean consumers' patterns and preferences (packing and traceability), and business culture in Korea among PA members. 2) Financing transportation and logistics to reduce the time and cost of trading between the ROK and the PA.
- Promote cultural and educational exchanges and learning experiences constitutes a valuable diplomatic tool to achieve a better understanding between the two regions. There are significant opportunities for the ROK to promote cultural and media products, considering the growing popularity of K-pop and K-drama among PA member countries.
- Further explore policy-oriented research focusing on diverse forms of cooperation and the evolution of trade and investment from a private sector's perspective. Despite their importance, they remain understudied.

## **EXPLORING TRADE COOPERATION BETWEEN THE PACIFIC ALLIANCE AND SOUTH KOREA**

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